

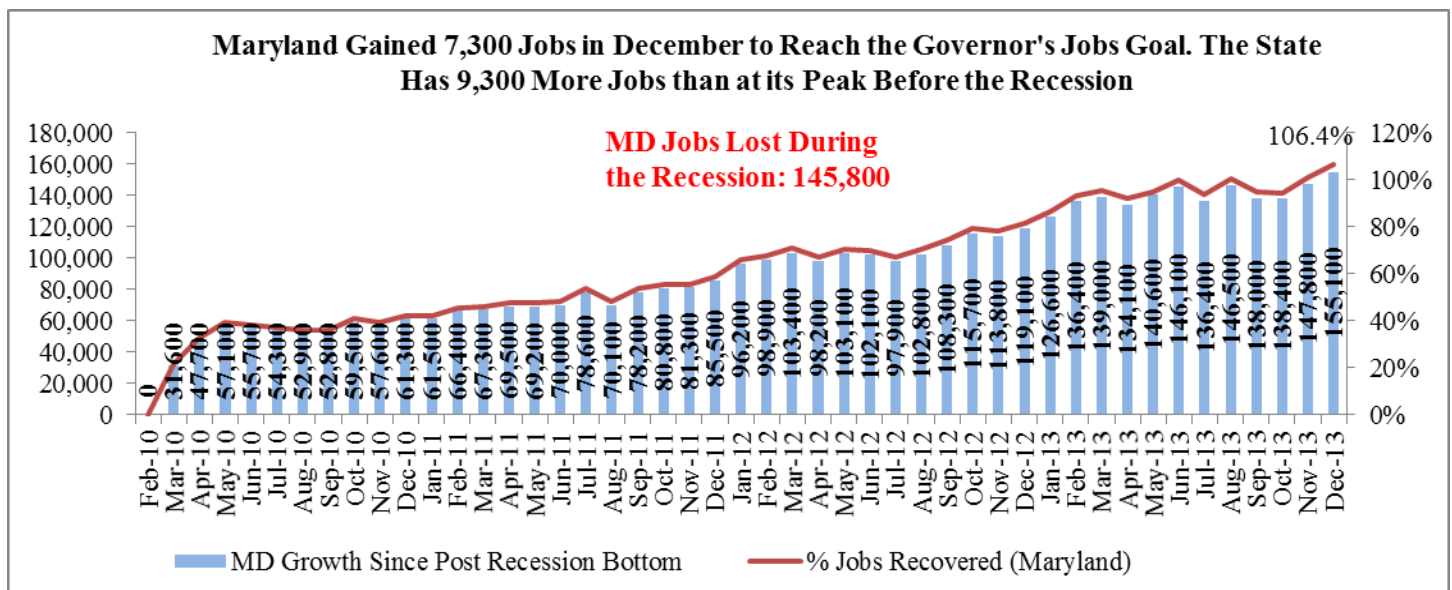
Meeting Summary

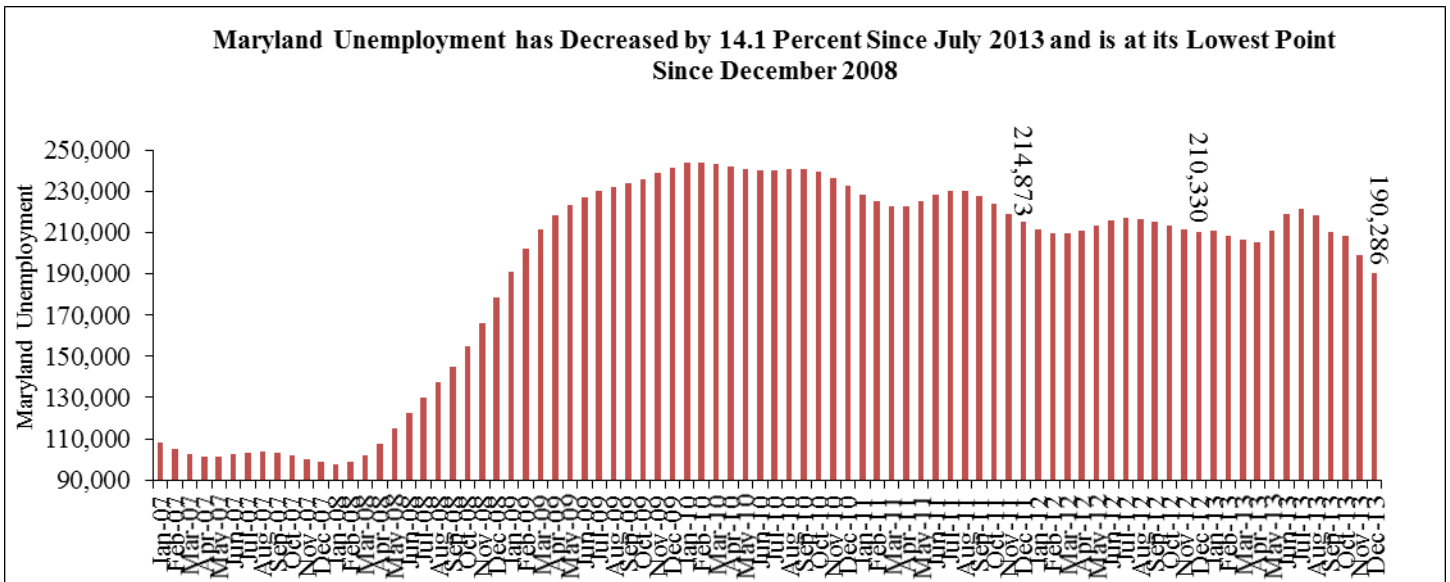
The following is a summary of the issues discussed at the Department of Business and Economic Development (DBED) Stat meeting on February 20, 2014. Analysis is provided by StateStat.

The Governor's FY14 Jobs Goal

- **Maryland Gained 7,300 Jobs in December and Now has 9,300 More Jobs than Before the Recession.**
The Governor's current jobs goal is to recover 100% of the jobs lost during the Great Recession by the end of FY14. In order to achieve this goal, the State must recover the 145,800 jobs it lost after employment bottomed out in February 2010. The job numbers in Maryland were low in September and October, partly due to the threat of default and the federal government shutdown. However, the State has gained an estimated 16,700 jobs in November and December, marking the first time Maryland has remained above the Governor's jobs goal for two consecutive months. Maryland is currently one of only 17 states that has recovered over 100 percent of the jobs it lost during the recession.

According to estimates from the Bureau of Labor Statistics (BLS), the private sector continues to lead the way in job creation in Maryland, as 7,000 of the 7,300 new positions in December came from private employers. The private sector accounted for roughly 95 percent of Maryland's job growth in 2013. Additionally, Maryland's unemployment rate decreased by 0.3 percentage points in December to 6.1 percent, which is the lowest rate since December 2008. The number of unemployed Marylanders remained below 200,000 for the second straight month and is also at its lowest total in five years. The January jobs report will be released by the BLS on March 17th. Maryland received additional positive news this month when it was announced that Carnival Cruise Lines will return to the Port of Baltimore in March 2015 after developing new technologies to meet federal emissions standards. Last summer, Carnival moved its Carnival Pride ship to Tampa, Florida after the Environmental Protection Agency outlined new emission standards for ships in coastal waters. The return of the cruise liner in 2015 will return roughly \$90 million in economic activity back to Maryland.

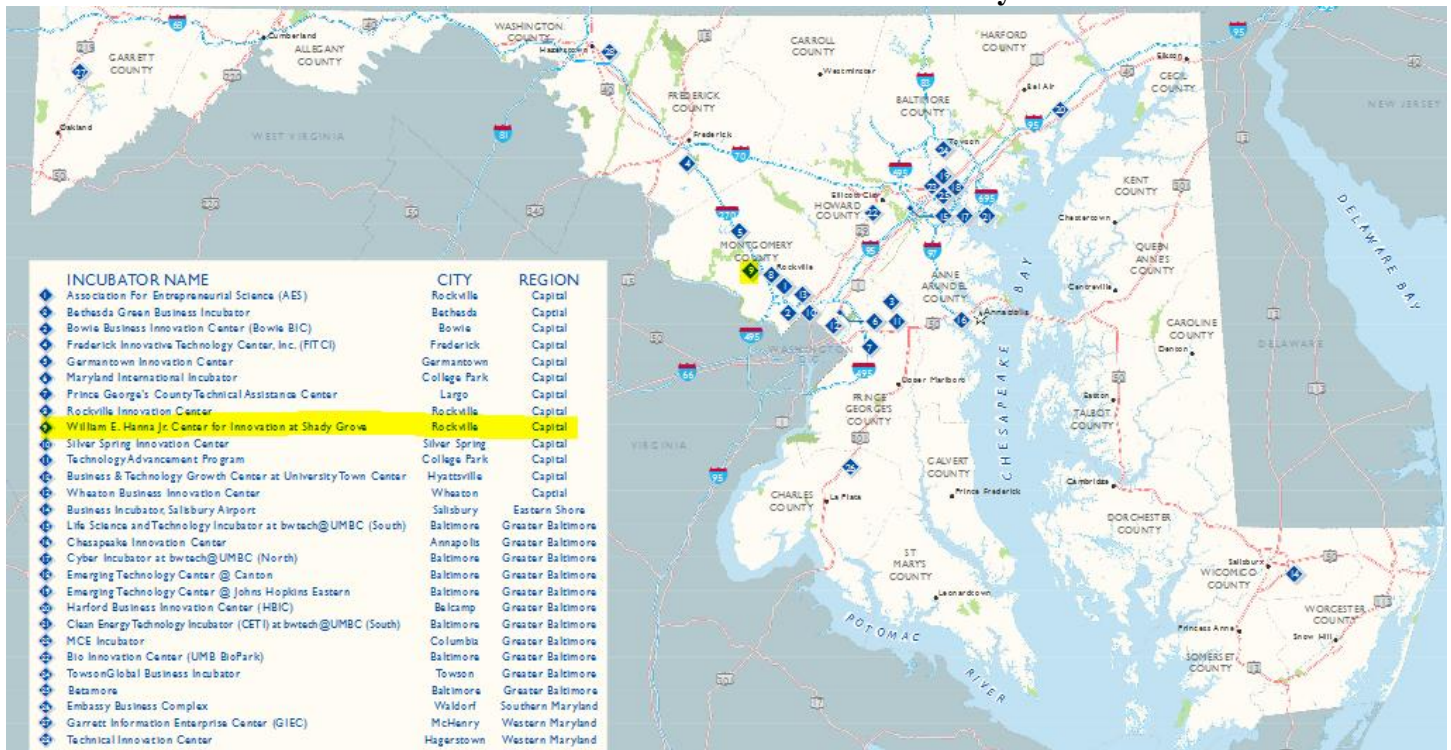




News and Follow-Up Items

- The National Cybersecurity Center of Excellence Will be Located in Montgomery County.** In February 2012, the National Institute of Standards and Technology (NIST) announced a partnership with the state of Maryland and Montgomery County to establish the National Cybersecurity Center of Excellence (NCCoE). Senator Mikulski helped secure \$10 million for this project, and the Center is intended to be a public-private collaboration to help businesses utilize cybersecurity tools and technologies. The NCCoE is expected to provide real-world cybersecurity capabilities by helping companies secure their data and digital infrastructure with “cost-effective, repeatable, and scalable cybersecurity solutions.” This week (February 18), Senator Mikulski, Acting Undersecretary of Commerce Patrick Gallagher, Governor O’Malley, and Montgomery County Executive Isiah Leggett [signed a Partnership Intermediary Agreement](#) (PIA) to more clearly define the partnership roles outlined in the tri-party agreement between NIST, the State of Maryland, and Montgomery County. Sixteen companies have already agreed to provide hardware, software, and expertise for the NCCoE, including Cisco Systems, McFee, Microsoft, RSA, and Symantec. The NCCoE has been temporarily housed in a relatively small facility in Shady Grove since 2012, but it will soon move to a much larger space. The new Center will replace a 65,000 square foot bio-tech incubator in Shady Grove that is managed by Montgomery County. The incubator currently houses 38 startup companies---34 of which are early-stage bio-tech businesses. DBED indicated that the Shady Grove incubator was the only permanent cost-feasible location for the NCCoE in Maryland, and Montgomery County is taking the lead in finding alternative locations for the current tenants of the incubator. The Montgomery Country Department of Economic Development will support the transition of these companies with rent subsidies, moving costs, and technological assistance.

Location of the 28 Incubators Across Maryland



- In December, the Bureau of Ocean Energy Management (BoEM) Announced the Proposed Notice of Sale for Nearly 80,000 Acres Offshore Maryland for Commercial Wind Energy Leasing.** On December 17th, Governor O'Malley, the Secretary of the Interior, and the Director of BoEM announced the publication of a [Proposed Sale Notice](#) in the Federal Register. The Notice requests public comment on a proposal to auction two leases offshore Maryland for commercial wind energy development that total roughly 80,000 acres. The proposed wind energy designated area is located at least ten nautical miles off the coast of Ocean City, and the 60-day public comment period ends on February 18th. BoEM believes there is great potential for wind energy at this location, and if the proposed area is fully developed it could generate enough electricity to power approximately 300,000 homes. The current BoEM proposal is to sell the wind energy area in the form of an online auction as two separate leases, a North Lease Area and a South Lease Area. There have already been two successful offshore wind energy auctions earlier this year--one off the coast of Virginia (112,779 acres for \$1.6 million) and one between Rhode Island and Massachusetts (164,750 acres for \$3.8 million). The announcement last month brings the State one step closer to eventually moving towards utilizing wind energy, and DBED is working to make sure Maryland businesses will be prepared to take advantage of this opportunity.

Secretary Murray joined delegates from the Maryland Energy Administration (MEA) in Frankfurt, Germany in November to attend the European Wind Energy Association (EWEA), which is the world's largest offshore wind energy conference. DBED sponsored a booth at the event in support of developing the wind energy industry in Maryland, and it has followed-up with four companies from the conference about potential contract opportunities in the future. The agency is also working with representatives from Germany and Denmark that would like to meet with Maryland businesses sometime in 2014 to discuss potential partnerships and joint ventures surrounding wind energy capabilities. Secretary Murray said he will continue to work directly with Director Hopper at MEA on the best ways to collectively drive this industry in the right direction in the future.

Maryland Proposed Areas for Offshore Wind Commercial Leases

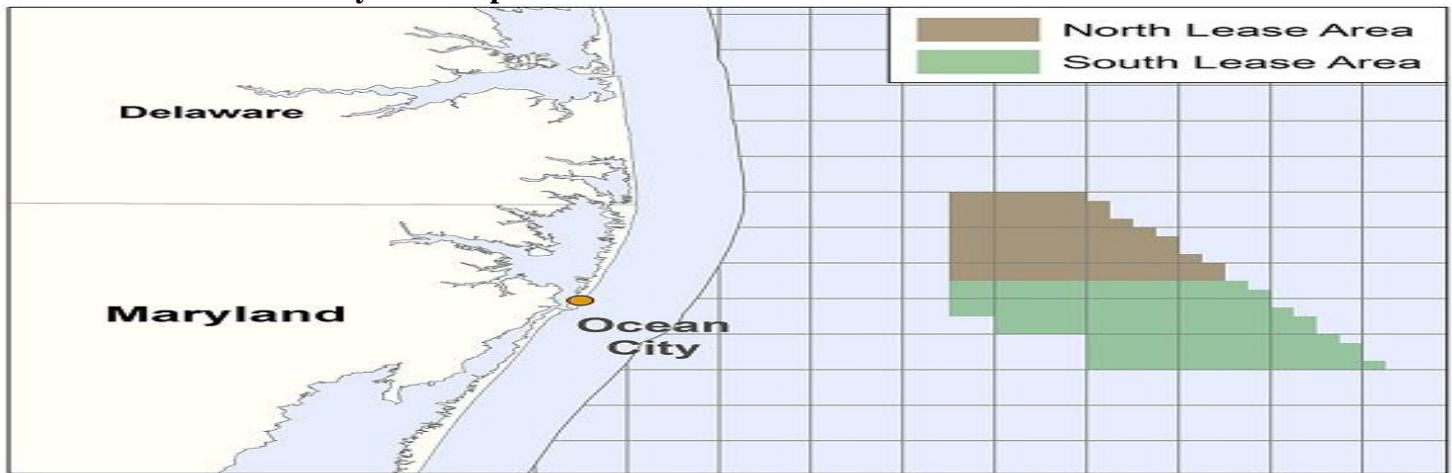


image via U.S. Bureau of Ocean Energy Management

- DBED Announced that 41 Companies Have Advanced to the Semi-Finals of the 2014 InvestMaryland Challenge.** DBED received 260 applications for the 2014 [InvestMaryland Challenge](#), which is a national business competition designed to support Maryland startups by providing cash bonuses to winners and providing a networking platform for applicants to meet potential investors. DBED will be giving four \$100,000 grand prize awards this year in four separate categories---Life Sciences, IT, General Industry, and Cybersecurity. Secondary prizes will also be awarded by DBED's partners and sponsors of the event. Only applicants for the General Industry category are permitted to be out-of-state companies, but they must locate a facility in Maryland before receiving the award. Out of the 11 semi-finalists in the General Industry category, three are from outside Maryland (two from Washington, DC and one from New York). Qualified companies must have fewer than 25 employees and less than \$1 million in annual revenue. DBED reported that in addition to the three \$100,000 grand prize winners in 2013, the Maryland Venture Fund (MVF) also invested in three companies that were not selected as winners, and the MVF invested further in one of the winners (Graybug, LLC). In total, the State has helped eight companies and assisted in creating or retaining 80 jobs as a result of the 2013 InvestMaryland Challenge. Face-to-face interviews take place later this month for the 2014 semi-finalists and finalists will be announced in March. The agency stated that an official date of the final challenge in April has not been determined yet.

Number of InvestMaryland Challenge Applications Submitted (260 Total)			
InvestMaryland Category	Types of Companies	Number of Applications	Number of Semi-Finalists
General Industry	Energy, Agriculture, Maritime, Clean Tech, IT, Life Sciences, Manufacturing, etc	121	11
Information Technology	Cloud computing, data mining & analytics, geospatial, data management, social media & apps, cellular tools, etc	81	14
Life Sciences	Biotechnology, Pharmaceutical, Medical Devices, Diagnostics, Therapeutics, etc	48	10
Cybersecurity	Information Security, Data Storage, Backup and Recovery, etc	10	6

2014 InvestMaryland Challenge Timeline	
September 5, 2013	Application Submissions Open
October 29, 2013	Maryland Entrepreneur Breakfast
December 6, 2013	Application Submission Closes
December 2013	Judges Boot Camp
January 13, 2013	Night Out with the Judges Networking Reception
January 31, 2013	Round 1: Application & Business Plan Review
February 2014	Top 50 Semi-Finalists Announced
February 2014	Round 2: Face-to-Face Interviews
March 2014	Finalists Announced
April 2014	Final Awards Ceremony

- DBED and Carroll County Teamed Up to Bring a Clothing Distribution Center to Maryland from New York.** On January 7th, the Governor announced the opening of a Carlisle Etcetera LLC national distribution center and the expansion of the English American Tailoring Company in Westminster, MD. Both companies are subsidiaries of the Tom James Company, which is the world's largest manufacturer and retailer of custom clothing. The CEO of Carlisle Etcetera elected to move the business from New York to Maryland largely because of the assistance he received from DBED and the Carroll County Department of Economic Development. DBED approved a \$250,000 conditional loan based on job creation and retention, and Carroll County approved a \$30,000 grant to assist in training new employees. Secretary Murray said DBED's Business Development and Finance departments worked together on this project to make this deal happen, which is expected to create more than 70 jobs in Maryland.
- DBED's Business Retention and Expansion Report is Expected to be Finalized in March.** As part of DBED's 18 Month Plan, the agency stated that it would produce three documents in FY14 to help the State, and particularly local jurisdictions, improve economic development. The first report DBED is working on is a comprehensive business retention and expansion strategy for Maryland that supports particular regions and target industries. DBED stated this report is in draft form and will be finalized in the next couple of weeks. The agency will then begin developing a comprehensive Workforce Development Strategy to identify gaps between the current workforce and the future needs of growing businesses that is expected to be completed in April. Finally, the agency plans to develop a detailed Regional Development Plan to ensure that all regions of the State are adequately positioned for economic growth and development moving forward---this report is expected to be distributed in July. The Regional Development Report will be the most time consuming and comprehensive of the three reports. StateStat encouraged the agency to complete the business retention project as quickly as possible, so it can meet the deadlines for the other two reports.
- DBED Recently Set a Goal to Help Maryland Construction Companies Secure 50 Percent of Military Construction Projects in 2014.** On October 23rd, Secretary Murray and Secretary Howard of the Department of Labor, Licensing, and Regulation (DLLR) met with the State's construction industry to discuss plans to help Maryland contractors secure military projects moving forward. Secretary Howie said there has been over \$1.5 billion spent over the past three fiscal years on military construction in Maryland, but the majority of those contracts were not awarded to in-state companies. In FY13, it is estimated that only 35 percent of military construction projects performed in the State were completed by Maryland companies. DBED and DLLR attempted to improve Maryland's participation in this industry by planning two events toward the end of October that helped train the State's contractors on the best ways to apply and compete for lucrative federal contracts. In addition to the workshops, DBED hosted an event on November 18th called Contract Connections for Military Construction, where 200 companies signed up to hear about specific upcoming opportunities and met with federal procurement officers.

In December, Secretary Murray said he set a goal to increase the percentage of Maryland companies receiving military construction projects from 35 percent to 50 percent over the next year. StateStat previously asked the agency to provide specific details about how it plans to achieve this goal, which are listed in the table below. The agency stated that it has already met with the Small Business Administration and other government contracting organizations to see where the State can collaborate on promoting upcoming military construction opportunities (plan #2). StateStat asked the agency to follow-up with more information before the next meeting on where DBED stands on accomplishing each of the six objectives listed below.

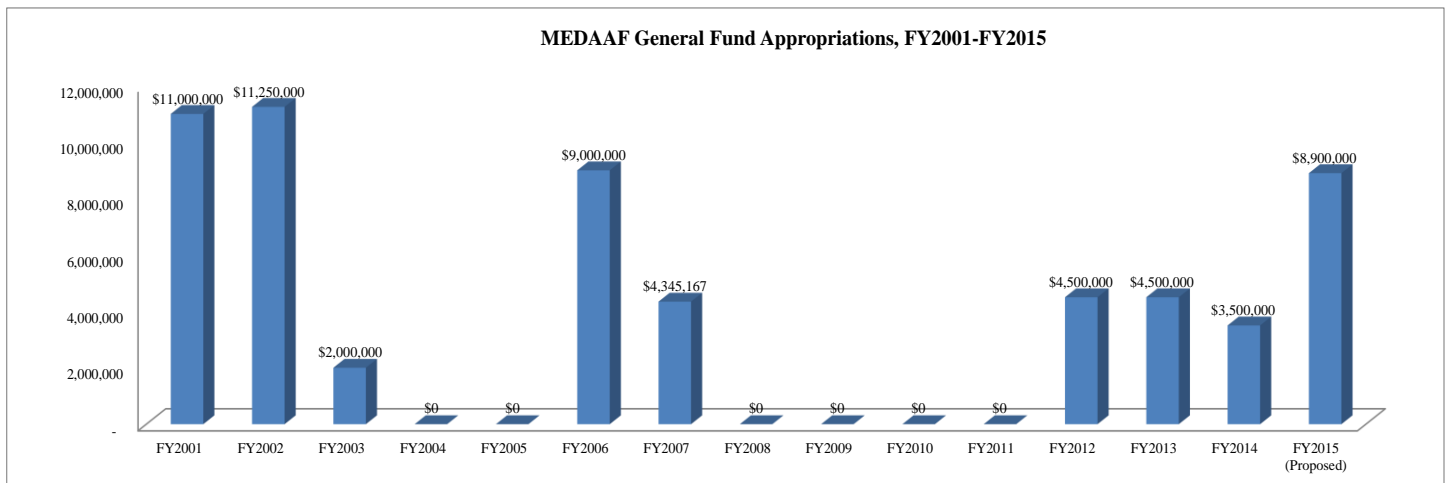
DBED's Current Action Plan to Help Maryland Construction Companies Secure Military Projects in 2014
<i>1). Survey attendees of the military construction Contract Connections event and the military construction workshops at 6-month and 12-month intervals to gauge contracting participation levels and identify areas of desired assistance.</i>
<i>2). Meet with strategic partners like the Maryland Procurement Technical Assistance Program (PTAP), the Small Business Administration, the Maryland Center for Construction Education and Innovation, and other government contracting assistance organizations to see where the State can collaborate its efforts to better educate and promote upcoming military construction opportunities.</i>
<i>3). Regularly participate in the monthly Construction Roundtable meetings hosted by DLLR to stay abreast of issues facing Maryland's construction community and better facilitate communications to military contracting companies.</i>
<i>4). Poll military installations on the contracting process for operations and maintenance projects, which may provide small businesses additional opportunities for routine construction contracts unique to an installation.</i>
<i>5). Partner with the Army Corps of Engineers and the Naval Facilities Engineering Command (NAVFAC) on the promotion of upcoming military construction opportunities and aide their outreach to small businesses.</i>
<i>6). Coordinate and host a meeting with Maryland-based military construction prime contractors to understand what is needed to close the gap on the number of construction contract awards to Maryland companies and to study Maryland small business subcontracting participation levels.</i>

- **Update on the Development of TEDCO's Innovation Portal.** The Joint Chairman's Report for the 2013 Legislative Session stipulates that \$150,000 of DBED's operating budget must be used to develop an "Innovation Portal" to be used "as a means of connecting investors and entrepreneurs in the State." The Report states that an innovation portal would be a low-cost option to encourage growth in emerging companies that would serve as a one-stop market place where entrepreneurs can seek out potential investors. DBED previously indicated that the Maryland Technology Development Corporation (TEDCO) will be taking the lead on this project. In November, the agency indicated that it hoped to have some version of the portal up and running by the First Quarter of 2014, and that it will provide an updated timeline before the next Stat meeting.

DBED Finance Programs

- **The Governor's FY15 Budget Allocates \$28 Million for the MEDAAF Fund.** The Maryland Economic Development Assistance Authority and Fund (MEDAAF) is DBED's primary financing tool to help businesses grow and create jobs in Maryland. MEDAAF was originally intended to be self-sustaining through the use of repayable direct loans to businesses, but the agency argues that its lack of funding through and after the recession has decreased its ability to provide competitive direct loans that would generate a consistent revenue stream. DBED has primarily offered conditional loans and grants through MEDAAF to businesses that are forgiven if companies meet job creation and retention targets. The Governor's proposed FY15 budget would start DBED on the path towards recapitalization, allocating \$28 million for MEDAAF, including \$8.9 million in general funds and \$19.1 million in special funds. Secretary Murray said working to educate legislators on the importance of funding MEDAAF is one of his top priorities this legislative session. He said the fund is the driving force behind all of the major job creation

deals in the past year like Amazon, Volvo, and Sephora, and the additional funding will strengthen the agency's competitive position to make more successful deals.



Office of Tourism Development

- The Star-Spangled Spectacular was Ranked as the Top Tourist Destination for 2014 by the American Bus Association.** DBED's Office of Tourism Development (OTD) recently published a very positive report showing that investment in the State's tourism industry resulted in significant growth in FY13. The [Annual Report](#) states that Maryland welcomed 35.4 million domestic visitors in 2012 (up 2.9 percent from 2011), and tourists spent roughly \$14.9 billion inside the State. Visitor spending increased by 4.6 percent in FY13 and has grown by at least four percent in each of the past three years. Tourism has grown in Maryland by 30 percent since 2007, despite the impact of the recession, which is more than triple the national average over that period (9.2 percent). The Governor's FY15 proposed budget allocates a record \$14.4 million in State funding for tourism development (up from \$13.1 million for FY14), including \$2 million for the bicentennial celebration of the War of 1812 that will conclude with the Star-Spangled Spectacular in September.

One of the major initiatives developed by OTD is the Chesapeake Campaign, which is a traveling festival featuring re-enactors, education activities, and food at 15 stops along the Star-Spangled Banner National Historic Trail. The ten festivals that took place in 2013 drew more than 70,000 people. An economic analysis was conducted for two of the events last year (Attack on Havre de Grace and the Battle of St. Michaels), and the study found they had an economic impact of nearly \$2 million while costing the State only \$238,000 to produce. The remaining five festivals for the Chesapeake Campaign will lead up to the Star-Spangled Spectacular, which is an eleven-day celebration from September 6-16, celebrating the 200th anniversary of the National Anthem. The American Bus Association [recently ranked this celebration as the #1 top event](#) for tourist groups in America and Canada to visit in 2014. The list of events planned for the celebration [is listed online](#) and will include tall ships arriving to the harbor and numerous air shows from the U.S. Navy Blue Angels. The executive director of the War of 1812 Bicentennial Commission, Bill Pencek, attended the Stat meeting to provide additional details on all of the State's planned events to commemorate the bicentennial.

CyberSecurity Tax Credit

- Online Enrollment for the CyberSecurity Investment Tax Credit Started on January 13th.** Last session, the Maryland Legislature approved the Cybersecurity Investment Incentive Tax Credit to attract cybersecurity companies to Maryland and help them obtain private investment. Funded at \$3 million for FY14, the program provides refundable tax credits (up to 33 percent of the investment up to \$250,000) on a

first-come, first-served basis to qualified cybersecurity companies that receive capital from outside investors. Qualified companies must be headquartered in Maryland, have fewer than 50 employees, be in business for less than five years, and receive an outside investment of at least \$25,000. Each company is also limited to 15 percent of the total appropriation for each year (equaling \$450,000 for FY14). DBED makes the determination of whether a company is a certified cybersecurity business, and it administers the tax credit. Enrollment began at 9:00am on January 13th, and roughly \$2 million of its tax credits are still available more than one month after enrollment opened. Mark Vulcan, DBED's Director of Tax Incentives, stated that he is not surprised by the slow start, because there is an initial education phase with new tax credit programs. He said it took two years for the biotech tax credit to reach the height of its popularity. Mr. Vulcan indicated that a more accurate measure of success for the deployment of the tax credits will be seen by the amount of interest the program sees at the end of the fiscal year. DBED expects all of the credits to be disbursed by the end of June and will continue to promote it as often as possible. Much of the delay so far is caused by companies having to establish their base of operations in Maryland, which can often take a long time.

During the December meeting, StateStat asked DBED about why it required applicants for the cybersecurity tax credit to submit hard copy materials to the agency for the pre-application process instead of providing an electronic method. The agency stated that it currently does not have a document management system capable of downloading the vast number of legal documents that need to be reviewed in order to determine if a company is qualified to receive the credit. StateStat reported that it has been working about developing the new system and plans to have it in place sometime in July. The agency does not believe, however, that the hard copy requirement is not contributing to the slow demand so far.

Personnel

- **DBED is in the Process of Implementing a New Way to Monitor the Use of Sick Leave Among its Employees.** During several StateStat meetings this year, the panel asked DBED to explain the excessive amount of sick leave its employees in the Marketing and Communication department were using. However, after several months of investigating, DBED noticed an internal error in its reporting of sick leave data. One member of the timekeeping staff confused the program codes, causing sick leave totals for the Business and Enterprise Development division to be switched with the totals for the Marketing division for the past several years. Therefore, the average number of sick leave hours per month in each department were actually relatively consistent in FY13, ranging from 3.6 hours in the Marketing division to 6.4 hours in the Tourism & Culture division. To more accurately report data to StateStat in the future, DBED has changed its template to show the number of undocumented sick leave occurrences (instead of overall sick leave), the number of employees who have been counseled (counseling occurs after 5 undocumented occurrences in a 12 month period), and the number of employees who provide a one day sick slip to supervisors. A copy of what the template currently looks like for this metric is pasted on the next page. DBED gave employees till the end of 2013 to retroactively document previous unexcused absences, and the template shows that it began counseling individuals in January for individuals who failed to meet that requirement. The template also shows the heightened attention in this area is already changing behavior, as there were 34 fewer occurrences of undocumented sick leave in January 2014 than in January 2013.

UNDOCUMENTED SICK LEAVE OCCURRENCES													
Office of the Secretary	14.0	24.0	19.0	20.0	27.0	19.0	12.0	19.0	23.0	12.0	6.0	12.0	6.0
Business and Enterprise Development	22.0	28.0	31.0	35.0	22.0	26.0	25.0	30.0	30.0	29.0	12.0	10.0	5.0
Marketing and Communications	3.0	8.0	7.0	4.0	7.0	5.0	10	2.0	6.0	11.0	4.0	4.0	6.0
Tourism and Culture	13.0	19.0	29.0	7.0	10.0	20.0	22.0	15.0	16.0	16.0	11.0	11.0	1.0
NUMBER OF EMPLOYEES COUNSELED													
Office of the Secretary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0
Business and Enterprise Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.0
Marketing and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Tourism and Culture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0
NUMBER OF EMPLOYEES ONE DAY SICK SLIP													
Office of the Secretary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business and Enterprise Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marketing and Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tourism and Culture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0

Job Creation and Retention

- **DBED Helped Create and Retain 920 Jobs Throughout Maryland in January.** DBED reported that it helped create 620 new jobs and retain 300 jobs last month. The agency's job total for FY2014 is now 7,745 for the year, which is 73 percent of DBED's FY2014 goal.

